

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Buffalo District Office
130 S. Elmwood Avenue
Suite 510
Buffalo, NY 14202
(716) 842-2900 / FAX: (716) 842-2901



February 1, 2007

John Bezon, President
United Steelworkers of America, AFL-CIO
Local Union 1-0497
757 Shore Airport Road
Ticonderoga, NY 12883

Re: Case No. [REDACTED]

Dear Mr. Bezon:

This office has recently completed an audit of Local 1-0497 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with Financial Secretary Barbara Hurlburt on November 15, 2006, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope. It should be noted that reason for the delay in this letter and subsequently the closing of this case is the failure of the union to provide in a timely manner necessary financial records that were requested during the closing interview. Numerous bank records were not requested by the union in advance of the audit and therefore had to be requested during the audit. The audit could not be completed until such bank records were reviewed.

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a note can be written on it providing the additional information.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The CAP of Local 01-497 disclosed numerous recordkeeping violations. The following is a summary of such violations.

- Meeting minutes were not maintained for union executive board and membership meetings. Handwritten meeting minutes were provided for only three meetings during the 12-month audit period. Authorization for union disbursements and other important union activity can not be verified without original meeting minutes. These documents must be maintained in the future to comply with the LMRDA.
- All original bank statements were not maintained by the union. A few original bank statements were provided for the audit but the majority of bank statements provided were photocopies. Original bank statements and cancelled checks or bank copies of cancelled checks are considered original financial documents and must be maintained to comply with the law.
- All union receipts were not properly recorded in union financial records. The union ledger did not reflect approximately \$9,346 in receipts for the audit year. Such receipts were not reported on the union's LM report for the fiscal year ending December 31, 2005 until the omission was brought to the union's attention by OLMS. Per my request, the LM report has been amended to reflect the receipts. Failure to report receipts of any kind on future LM reports will be considered a willful violation of the reporting requirements of the LMRDA.
- Some vouchers submitted by union personnel for lost wages do not identify the union business conducted that require lost wages be incurred. The lost wage claim must identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. In addition, the vouchers were not signed by the requesting individual or an authorizing union officer prior to payment. Some of the vouchers were initialed by union trustees. In most instances the vouchers were prepared by the union financial secretary rather than the requesting individual. Vouchers for reimbursement must be completed by the member or officer who incurred the lost time and provide sufficient details regarding the lost time to justify payment by the union. The vouchers should be reviewed and payment authorized by the union officer(s) authorized to do so. All such records must be maintained by the union for a period of five years to be in compliance with the LMRDA.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 01-497's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can also result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person, not just the individuals who are responsible for filing the union's LM report.

As agreed, provided that Local 01-497 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.


As discussed during the closing interview, I recommend maintaining an efficient system of checks and balances on the union's lost time payments. The union made significant lost time payments during the audit year due to negotiations and other union business. In addition to the recommendation made in the previous paragraphs regarding the union's voucher system, it is a good idea to contact the employer payroll department on a regular basis to verify the information provided on the vouchers is correct. The employer records should be checked against union records to insure the number of hours and wage rate is correct on the requests for reimbursement from union personnel.

Our records indicate your union has filed its annual LM reports in an untimely manner for the past several years. The LM-3 report for the fiscal year ending December 31, 2005 was not filed in a timely manner but has since been received by our office. However, a review of the report revealed a significant deficiency which will require an amended report to be filed. The cash for the fiscal year does not reconcile. The figure in Item 31(B) – Total Assets End of Reporting Period should be arrived at by adding the figures in Item 25(A) – Cash Start of Reporting Period and Item 44 – Total Receipts and subtracting the figure in Item 55 – Total Disbursements. The amount resulting from this calculation is the total of assets at the end of the reporting period and should be placed in Item 31(B).

Local 01-497 must file an amended Form LM-3 for fiscal year ending December 31, 2005 to correct the deficiency discussed above. I have enclosed a blank form and instructions with the copy of this letter that is being mailed to Financial Secretary Barbara Hurlburt. The reporting forms and instructions are also available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than **February 16, 2007**. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation for your union's cooperation and courtesy during this compliance audit. Please contact me should you have any questions regarding the findings of the compliance audit. If I can be of any assistance in the future, please do not hesitate to call.

Sincerely,


Investigator

cc: Barbara Hurlburt, Michelle Quain